















Steps in Typical Prepaid Merchandise Card/Account Transaction

- 1 On 3-17-03, a customer purchases a card for \$100.00 in store #141.
- 2 The remote terminal RT goes online to Merchant Headquarters MH station to look up proxy sales tax experience for the merchant.
- 3 For this MH, the chain reports an average transaction has a 3% sales tax.
- 4 RT reports the transaction to the Account Processor AP station as transaction #1234 valued at the full amount of \$100.00 and credited to cardholder account #35-476-12.
- 5 Either in real time or at the time the cash drawer or RT is closed out, the information on transaction #1234 is reported to MH station.
- 6 At the MH station, computers record the proxy sale of transaction #1234 for \$100.00 as follows:
\$3.00 state sales tax
\$55.00 cost of goods
\$28.00 overhead costs
\$14.00 net profit
\$7.98 after tax profit
- 7 On 4-2-03 cardholder #35-476-12 debited \$15.83 at store #151 performing transaction #6890.
The following two items were purchased:
Item 1 - 24 cans of premium soda - Price \$8.43 - Sale Tax 6% = \$0.50
Item 2 - 1 women's blouse - Price \$6.45 - Sale Tax 0% = \$0.00
Total purchase \$15.38
- 8 The RT will go online to AP station and debit \$15.38 leaving a balance of \$84.62 on account #35-476-12.
- 9 When MH station receives the transaction the 2 records are recorded as follows:
Transaction #1234 is rewritten as \$84.36 with the following apportionments:
\$2.53 state sales tax
\$46.40 cost of goods
\$23.62 overhead costs
\$11.81 net profit
\$6.73 after tax profit

Transaction #6890 is written for \$15.38 with the following apportionments:

Item 1 - price \$8.43
\$0.51 state sales tax (@ 6%)
\$3.54 cost of goods (@ 42%)
\$1.94 overhead costs (@23%)
\$5.99 net profit

Item 2 - price \$6.45
\$0.00 state sales tax (@ 0%)
\$3.03 cost of goods (@ 47%)
\$1.55 overhead costs (@24%)
\$1.87 net profit

Items 1 & 2 After tax profit = \$4.48